

Message Text

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PAGE 01 STATE 300220

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INFO OCT-01 ISO-00 ARA-06 AF-04 EUR-08 INR-05 L-01 SP-02

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FM SECSTATE WASHDC

TO AMEMBASSY ABIDJAN

INFO AMEMBASSY MEXICO

AMEMBASSY SANTO DOMINGO

AMEMBASSY ACCRA

AMEMBASSY YAOUNDE

AMEMBASSY LONDON

AMEMBASSY BRASILIA

AMCONSUL DOUALA

C O N F I D E N T I A L STATE 300220

STADIS//////////

LIMDIS

E.O. 11652: GDS

TAGS:ETRD, EAGR

SUBJECT: COCOA - REOPENING NEGOTIATIONS

REFS: (A) GENEVA 7982 (NOTAL); (B) LONDON 17308 (NOTAL);

-- (C) 12/2/75 STATE A-7228

SUMMARY: NEGOTIATIONS FOR A NEW INTERNATIONAL COCOA AGREE-

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 300220

MENT ENDED OCTOBER 20 WITH A CONSENSUS ON THE DRAFT TEXT.

THE U.S. AND IVORY COAST DID NOT JOIN THE CONSENSUS. IT IS LIKELY CURRENT NON-MEMBERS (MEXICO, DOMINICAN REPUBLIC AND EQUATORIAL GUINEA) WILL REMAIN OUT. AS A RESULT THE AGREEMENT COULD COLLAPSE. ON NOVEMBER 11 IVORY COAST MINISTER OF AGRICULTURE SAWADOGO PROPOSED TO DEPUTY ASSISTANT SECRETARY KATZ IN LONDON THAT COCOA NEGOTIATIONS BE REOPENED UNDER THE COCOA ORGANIZATION (ICCO) OR UNCTAD. THIS OFFERS AN OPPORTUNITY TO REENTER NEGOTIATIONS WITH A VIEW TO OBTAINING AN ACCEPTABLE AGREEMENT. WE SHOULD INFORM THE IVORY COAST WE LOOK FAVORABLY ON AN INITIATIVE BY IT TO REOPEN THE COCOA NEGOTIATIONS IN EITHER FORUM.
END SUMMARY

1. AS YOU KNOW, WE DID NOT JOIN THE FINAL CONSENSUS ON THE NEW INTERNATIONAL COCOA AGREEMENT NEGOTIATED IN GENEVA IN OCTOBER BECAUSE WE CONSIDERED ITS ECONOMIC PROVISIONS INADEQUATE, AND NO IMPROVEMENT OVER THE PREVIOUS AGREEMENT. SPECIFICALLY, THE AGREEMENT RELIES EXCESSIVELY ON EXPORT CONTROLS; THE BUFFER STOCK PLAYS AN ANCILLARY ROLE AT BEST; THE PRICE RANGE TO BE DEFENDED IS INCORRECT; AND THE COCOA COUNCIL LACKS THE FLEXIBILITY TO RESPOND TO CHANGING CIRCUMSTANCES. THE IVORY COAST ALSO DECLINED TO SIGN. (REFTEL A) IF WE STAY OUT, INDICATIONS ARE THAT THE DOMINICAN REPUBLIC AND MEXICO WILL ALSO REFUSE TO JOIN.

2. ON DECEMBER 11, THE HEAD OF THE MEXICAN COCOA INSTITUTE (MARCO A. SOLIS) TOLD DEPARTMENT OFFICERS HE DOES NOT FEEL THE AGREEMENT IS A GOOD ONE; HE IS NOT EAGER TO PAY ONE CENT PER POUND TO THE BUFFER STOCK FOR NOTHING; IT MAY NOT BE CONVENIENT FOR MEXICO TO JOIN IF BOTH THE U.S. AND IVORY COAST REMAIN OUT; AND MEXICO CAN WAIT A WHILE BEFORE MAKING A DECISION IN ANY EVENT.

3. THE COCOA AGREEMENT COULD COLLAPSE IF WE AND OTHERS REFUSE TO JOIN. TERMS OF THE AGREEMENT REQUIRE THAT PRODUCERS REPRESENTING 80 PERCENT OF WORLD PRODUCTION ADHERE TO THE AGREEMENT BY AUGUST 31, 1976 FOR IT TO ENTER INTO EFFECT. THE IVORY COAST, THE DR, EQUATORIAL GUINEA (ANOTHER NON-MEMBER), AND MEXICO ACCOUNT FOR 22.2 PERCENT OF WORLD PRODUCTION.

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PAGE 03 STATE 300220

4. ON NOVEMBER 11, IVORY COAST MINISTER OF AGRICULTURE SAWADOGO TOLD DEPUTY ASSISTANT SECRETARY KATZ THE NEW COCOA AGREEMENT IS NOT PRACTICAL OR WORKABLE AND WILL EXAGGERATE, NOT DAMPEN PRICE FLUCTUATIONS; IT WAS NEGOTIATED WITH NO CONCERN FOR THE REAL OPERATION OF THE COCOA MARKET; AND THE IVORY COAST WOULD LIKE TO SEE IT RECONSIDERED OR RENEGOTIATED. SAWADOGO SAID THE GOIC

IS WILLING TO TAKE THE INITIATIVE IN SEEKING RENEWED NEGOTIATIONS. HE SAID THE GOIC COULD PROPOSE TO THE EXECUTIVE BOARD OF THE ICCO THAT THE CURRENT AGREEMENT BE EXTENDED ONE YEAR WHILE RENEWED NEGOTIATIONS TOOK PLACE UNDER ICCO AUSPICES IN LONDON, OR UNDER UNCTAD IN GENEVA.

5. KATZ REPLIED THAT WE WERE DISSATISFIED WITH THE AGREEMENT AS IT STOOD, AND UNHAPPY WITH THE WAY THE NEGOTIATIONS HAD BEEN MANAGED. HE PROMISED FURTHER CONSULTATIONS THROUGH OUR EMBASSY IN ABIDJAN.

6. ACTION REQUESTED: YOU ARE INSTRUCTED TO APPROACH MINISTER OF AGRICULTURE SAWADOGO AND SAY WE LOOK FAVORABLY UPON A GOIC INITIATIVE TO REOPEN THE COCOA NEGOTIATIONS IN EITHER THE ICCO OR UNCTAD. IN DISCUSSION OF THE ISSUE YOU MAY FIND IT USEFUL TO DRAW ON THE FOLLOWING:

- (A) BOTH CONSUMERS AND PRODUCERS OF COCOA RUN THE RISK OF PERMITTING THE COLLAPSE OF A MAJOR INTERNATIONAL COMMODITY AGREEMENT.

- (B) WE CONTINUE TO BELIEVE IT IS DESIRABLE TO REOPEN NEGOTIATIONS.

- (C) WE BELIEVE AN IMPROVED AGREEMENT ACCEPTABLE TO THE U. S. IS OBTAINABLE EVENTUALLY.

- (D) THE AMENDMENTS PROPOSED BY THE U.S. AT THE COCOA NEGOTIATIONS COULD SERVE AS THE BASIS FOR THE NEGOTIATIONS.

- (E) BY PUTTING THE BURDEN OF MARKET STABILIZATION ON THE BUFFER STOCK THE AGREEMENT WOULD BE MORE FLEXIBLE

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 300220

AND EFFECTIVE, AND MINIMIZE INTERFERENCE WITH MARKET FORCES WHILE STABILIZING EXTREME PRICE FLUCTUATIONS. (SEE REF C FOR FURTHER BACKGROUND ON U.S. PROPOSALS.)

- (F) THE QUOTAS IN THE NEW AGREEMENT ARE NOT IN TUNE WITH THE DYNAMICS OF COCOA PRODUCTION BECAUSE QUOTA CUTS AND ADJUSTMENTS WOULD PROBABLY RESTRICT IVORY COAST AND BRAZILIAN GROWTH.

7. PLEASE REPORT RESULTS OF YOUR CONSULTATIONS SOONEST.
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